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SUBJECT: JAPAN-CHINA ENERGY DISPUTES: RESOLVING THROUGH
DIALOGUE

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¶1. (SBU) Summary. Japan is committed to resolving its energy dispute with China through dialogue, METI Director General Kodaira told EMIN. He expected China to make a counter offer to Japan,s proposal for joint development of these undersea resources in talks on March 6-7. Kodaira also mentioned that METI plans a 10-day Japan-China energy seminar at the end of May to improve China,s energy use. End Summary.

¶2. (SBU) Japan is committed to resolving its energy dispute with China through dialogue, METI's Agency for Natural Resources and Energy (ANRE) Director General Kodaira told EMIN on March 2. He said that he and Foreign Ministry Asia Bureau Director General Sasae would lead a Japanese delegation to Beijing for talks on March 6-7 exclusively to discuss the East China issue. Kodaira expected the Chinese to make a counter offer to Japan,s September 2005 proposal to jointly develop the oil and natural gas reserves that straddle the midpoint line.

¶3. (SBU) Kodaira was optimistic that the East China Sea energy talks would generate momentum after Minister Nikai,s recent visit to Beijing (see reftel.) This will be the fourth meeting at the director general level between the two countries, the first having taken place in Tokyo in March 2005, followed by one in May in Beijing and the third in Tokyo in September. Unofficial director general level talks were held in Beijing on January 9 during which China rejected Japan,s proposal to jointly develop the oil and gas fields in the area between the two countries claimed boundaries. Vice ministerial level meetings were held February 10-11 after a hiatus of more than three months due to Chinese anger over Prime Minister Koizumi,s visit to the Yasukuni Shrine. Kodaira admitted that the Chinese had so far ignored Japan,s request that production in the disputed area be halted until an agreement was reached. He said the Chinese claimed that such a stoppage would cause a loss for CNOOC, the Chinese firm producing in the area.

¶4. (SBU) Kodaira told EMIN that METI Minister Nikai had also agreed with his counterpart, Chinese Commerce Minister Bo Xilai, to work together to improve Chinese energy efficiency.

He said that Japanese and Chinese government organizations and private businesses were planning a 10-day conference at the end of May in Tokyo to discuss energy efficiency and energy technology with an emphasis on the environment. The joint exercise between the government and the private sector would include guided tours of relevant businesses in Japan. China's Ministry of Commerce and other government officials are expected to attend.

SCHIEFFER